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Missouri lawmakers push for more oversight of prearranged funeral services

BY DAVID A. LIEB/THE ASSOCIATED PRESS

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JEFFERSON CITY — Missouri General Assembly lawmakers approved greater oversight of prearranged funeral services Wednesday in response to the financial collapse of a company that had promised to deliver about \$650 million worth of funeral services.

The legislation, which now goes to Gov. Jay Nixon, would require regular and random state audits of prepaid funeral sellers while increasing the amount of money they must keep in a trust fund to pay for funerals.

Missouri's tougher regulations came after last year's failure of St. Louis-based National Prearranged Services Inc. and its affiliated Texas-based insurance companies. The FBI is investigating the companies for alleged corporate misconduct.

"Obviously, this does not correct the NPS situation," said Don Otto, executive director of the Missouri Funeral Directors and Embalmers Association. But "this will, I believe, make a future NPS situation much less likely."

The Missouri House of Representatives passed the funeral oversight legislation 158-0 on Wednesday. The Senate then sent it to Nixon on a 30-2 vote.

The governor is still deciding whether to sign it, spokesman Scott Holste said, but "clearly, this is a subject that needs reform."

The pre-purchase of caskets, burial vaults and funeral services has become a regular and important part of business for many funeral homes. Customers who buy a funeral package valued at \$5,000, for example, are guaranteed to receive the same services even if inflation has increased the price to \$8,500 by the time of death.

Funeral homes have continued to provide services to NPS customers after its collapse while receiving only the face value of the prepaid contracts from an insurance guarantee fund. The bill includes no mechanism for funeral homes to fully recoup their losses.

Yet sponsoring Sen. Delbert Scott, R-Lowry City, said the legislation would "take some of the burden off" funeral homes and "provide a safety value" for consumers.

"This has been a difficult situation for many people across the state of Missouri afraid they were going to lose everything," Scott said.

A Texas court ordered the liquidation of NPS and its affiliates last year. As of February, there were still 154,886 outstanding NPS funeral contracts nationwide valued at more than \$646 million, including 56,261 contacts in Missouri worth \$198 million. Those figures have been slowly declining as NPS customers die.

Prepaid funerals generally are handled in one of three ways: The seller opens a joint account with the customer at a local bank, often as a certificate of deposit; the seller takes out a life insurance policy on the customer; or the seller places the money in a trust fund, which earns interest from investments.

NPS used the money in its trusts to buy life insurance policies from its affiliated companies. It then converted some policies into term life insurance, which doesn't earn interest.

The Missouri legislation would prohibit prearranged funeral trusts from investing in term life insurance or using the money as collateral for loans.

It also would limit how much funeral contract sellers can take from trust funds for their own purposes to 15 percent of the trust, instead of the current 20 percent.

The legislation would expand the membership and power of the State Board of Embalmers and Funeral Directors, which critics say lacked the ability to spot the financial troubles at NPS and take enforcement actions.

In the past, "if the board saw something wrong, it took a minimum of two years to do anything about it," said Rep. Jay Wasson, R-Nixa, chairman of the House Professional Registration and Licensing Committee. "Now they can move, and they can move quickly."

The legislation requires the board to audit prearranged funeral sellers at least once every five years and allows it to conduct random financial inspections as the board deems necessary.

It also allows the state board to seek a court injunction against prearranged funeral sellers if the board determines the seller has failed to deposit money into a trust, has wrongly pulled money out of a trust or has depleted the trust beyond the 20 percent the seller can legally take out.

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